

Azerbaijan's IBA suspends some debt repayments

Azerbaijan's biggest lender, International Bank of Azerbaijan (IBA), struggling under the weight of bad loans, said on Thursday it had suspended payments on some of its liabilities and asked its creditors for help while it restructures.

The announcement was the most dramatic sign to date that an economic slowdown rumbling in energy producer Azerbaijan since prices for oil and gas slumped three years ago is now threatening

the health of its banking sector. Azerbaijan's finances appeared to have stabilised this year after the government cut budget spending, and oil prices strengthened, but economists had warned of a lingering risk from bad debt on the balance sheets of Azerbaijan's banks.

The state-controlled bank said in a statement that it had suspended payments of principal and interest on the liabilities that will be included

in its restructuring, though it did not specify what they were.

It said it had missed a scheduled payment under a \$100 million subordinated loan owed to Rubrika Finance Company Ltd, which is based in Dublin and operates as a debt issuing vehicle.

IBA said that it continued to conduct day-to-day business with its clients, including all transactions in relation to individual and corporate deposits. (RTRS)

debt concerns lead to Canada banks rating downgrade

Moody's has downgraded its ratings for Canada's six largest banks by one notch, citing concerns over their exposure to risky mortgages.

The move targeted the Toronto-Dominion Bank, Bank of Montreal, Bank of Nova Scotia, the Canadian Imperial Bank of Commerce, National Bank of Canada and the Royal Bank of Canada.

In a statement released late Wednesday, the agency said the banks are likely to face "a more chal-

lenging operating environment" as Canadians pile on more and more debt as they purchase homes at record-high prices, raising fears of a real estate bubble.

"Continued growth in Canadian consumer debt and elevated housing prices leaves consumers, and Canadian banks, more vulnerable to downside risks facing the Canadian economy than in the past," said Moody's senior vice president David Beattie. The downgrade means

the banks will have to pay more to borrow money, which could lead to higher interest rates and fees charged to customers in order to make up for lost profits.

Moody's noted an increase in private-sector debt to GDP to 185.0 percent in 2016, up from 179.3 for 2015. The increase was led by Canadians' household debt, which is now at a record high of 167.3 percent of disposable income and home price appreciations. (AFP)

Gulf carrier reviews growth through minority airline stake

New Etihad boss to rethink aggressive expansion strategy

DUBAI/MILAN/PARIS, May 11, (RTRS): The naming of a new boss at Etihad Airways presents the Gulf carrier with an opportunity to rethink its aggressive expansion strategy after the failure of minority-owned Alitalia underlined the big barriers to global growth.

Ray Gammell was appointed interim CEO this week, days after Alitalia sought bankruptcy protection with \$3.3 billion of debt. He replaces veteran boss James Hogan.

Hogan's strategy was to buy up minority stakes in myriad airlines but the struggles of that strategy, most recently with Alitalia, are emblematic of a quandary peculiar to the industry.

The path to growth for airlines often lies in gaining access to rivals' routes. Yet in the European Union, which mainly operates as one nation in aviation, foreigners cannot majority-own an airline. At Alitalia, the lack of full control meant that Etihad could not deal effectively with labour problems.

Since 2011, Abu Dhabi state-owned Etihad has spent billions of dollars buying minority stakes from Europe to Australia as it races to catch up with regional rivals Emirates and Qatar Airways.

Alitalia was Etihad's eighth and

most high-profile bet. But the 560-million-euro (\$609 million) investment lies in tatters, placing Hogan's wider strategy under the microscope, after staff overwhelmingly rejected its latest restructuring plans.

Now the future of Etihad's other leading investment, in Air Berlin, is also in doubt as the Gulf carrier pursues a strategy review that began last year. Like Alitalia, the German carrier has made big losses and it said two weeks ago it was seeking a new partner, which could include a new investor.

An Etihad spokesman said its review was ongoing but declined to comment on how its strategy might change or the impact of Alitalia's failure on its global plans.

But a senior source at the Gulf carrier said lessons would be learned from the Italian investment and they would play a role in shaping future strategy.

Etihad's strategy has allowed it to cut costs by pooling items like airplane procurement, while offering a larger network; it says it brings together 600 destinations and over 700 aircraft.

Hogan's "approach to partnerships did not pan out, but a few of his principles are still valid", said Will Horton, senior analyst at Australian aviation consultancy CAPA.

Etihad's efforts to grow through minority stakes have at times been compared to Swissair's failed "Hunter" strategy of the 1990s. Swissair's buying binge, often acquiring stakes in ailing airlines, contributed to huge losses which eventually saw it grounded in 2001 and sold to Germany's Lufthansa in 2005.

Hogan has always rejected the comparison, saying Etihad was doing things differently to Swissair and had demonstrated it could control costs.

Etihad and its rivals have demonstrated spectacular growth but are increasingly pressured by a slowing Gulf economy due to relatively low oil prices.

They have chosen different strategies to sidestep the regulatory dilemma governing foreign ownership and pursue global expansion.

Qatar Airways, like many other carriers, has entered one of three global alliances. These give some access to other carriers' traffic rights without breaking ownership rules, but allow only limited control over route-planning and costs.

Dubai's Emirates, by contrast, mainly operates alone — an approach that gives it control of over its network and costs but also means it carries all the risk. The Middle East's largest airline,

Aesthetics good: Musk

Tesla Inc 'starts' selling solar roof

DETROIT, May 11, (AP): Electric car maker Tesla has added another product to its lineup: Solar roof tiles.

As of Wednesday, customers worldwide could order a solar roof on Tesla's web site. Installations will begin next month in the US, starting with California. Installations outside the US will begin next year, the company said.

The glass tiles were unveiled by Tesla last fall just before the company merged with solar panel maker SolarCity Corp. They're designed to look like a traditional roof, with options that replicate slate or terracotta tiles. The solar tiles contain photovoltaic cells that are invisible from the street.

Tesla CEO Elon Musk said one of the drawbacks to home solar installations has been the solar panels themselves: They're often awkward, shiny and ugly. Buyers will want Tesla's roof, he said, because it looks as good or better than a normal roof.

"When you have this installed on your house, you'll have the best roof in the neighborhood. The aesthetics are that good," Musk said in a conference call with media. The roof is guaranteed for the life of the home, which is longer than the 20-year lifespan for a typical, non-solar roof, Musk said. It has gone through the same hail, fire and wind testing that normal roofs endure.

Tesla's web site includes a calculator where potential buyers can estimate the cost of a solar roof based on the size of their home, the amount of sunlight their neighborhood receives and federal tax credits. They can also put down a refundable \$1,000 deposit to reserve a place in line.

Tesla said the solar tiles cost \$42 per square foot to install, making them far more costly than slate, which costs around \$17 per square foot, or asphalt, which costs around \$5. But homes would only need between 30 and 40 percent of their roof tiles to be solar; the rest would be Tesla's cheaper non-solar tiles which would blend in with the solar ones.

It would cost \$69,100 to install a solar roof with 40-percent solar tiles on a 2,600-square-foot roof in suburban Detroit, according to Tesla's web site. That includes a \$7,000 Tesla Powerwall, a battery unit that stores the energy from the solar panels and powers the home. The roof would be eligible for a \$15,500 federal tax credit and would generate an estimated \$62,100 in electricity over 30 years. Over that time period, Tesla estimates, the homeowner would save \$8,500.

Boeing suspends test flights of new 'plane'

DALLAS, May 11, (AP): Boeing is suspending test flights of a new airliner because of a possible problem in the manufacturing of a key engine part.

The company said Wednesday that it still plans to deliver the first Boeing 737 Max later this month, and production will continue.

The news sent Boeing Co shares down nearly 4 percent, although they recovered partly to close at \$183.18, down \$2.31, or 1.3 percent.

Chicago-based Boeing was notified last week of a potential issue involving turbine engine discs produced by a supplier to engine maker CFM International. Boeing said it has not experienced any problems with the discs during more than 2,000 hours of testing.

The Max is designed to be a more fuel-efficient version of the workhorse 737. Boeing's most popular commercial plane, Malaysia's Malindo Air plans to take delivery of the first Max in a few days and begin using it for passenger flights before July. Dallas-based Southwest Airlines Co expects to begin using the plane this fall.

US labor market tightening

Producer prices rebound sharply in April

WASHINGTON, May 11, (RTRS): New applications for US jobless benefits unexpectedly fell last week while producer prices rebounded strongly in April, pointing to a tightening labor market and rising inflation that could spur the Federal Reserve to raise interest rates in June.

Labor market strength was also underscored by a sharp drop in the number of Americans on unemployment rolls to a 28-1/2-year low in the final week of April.

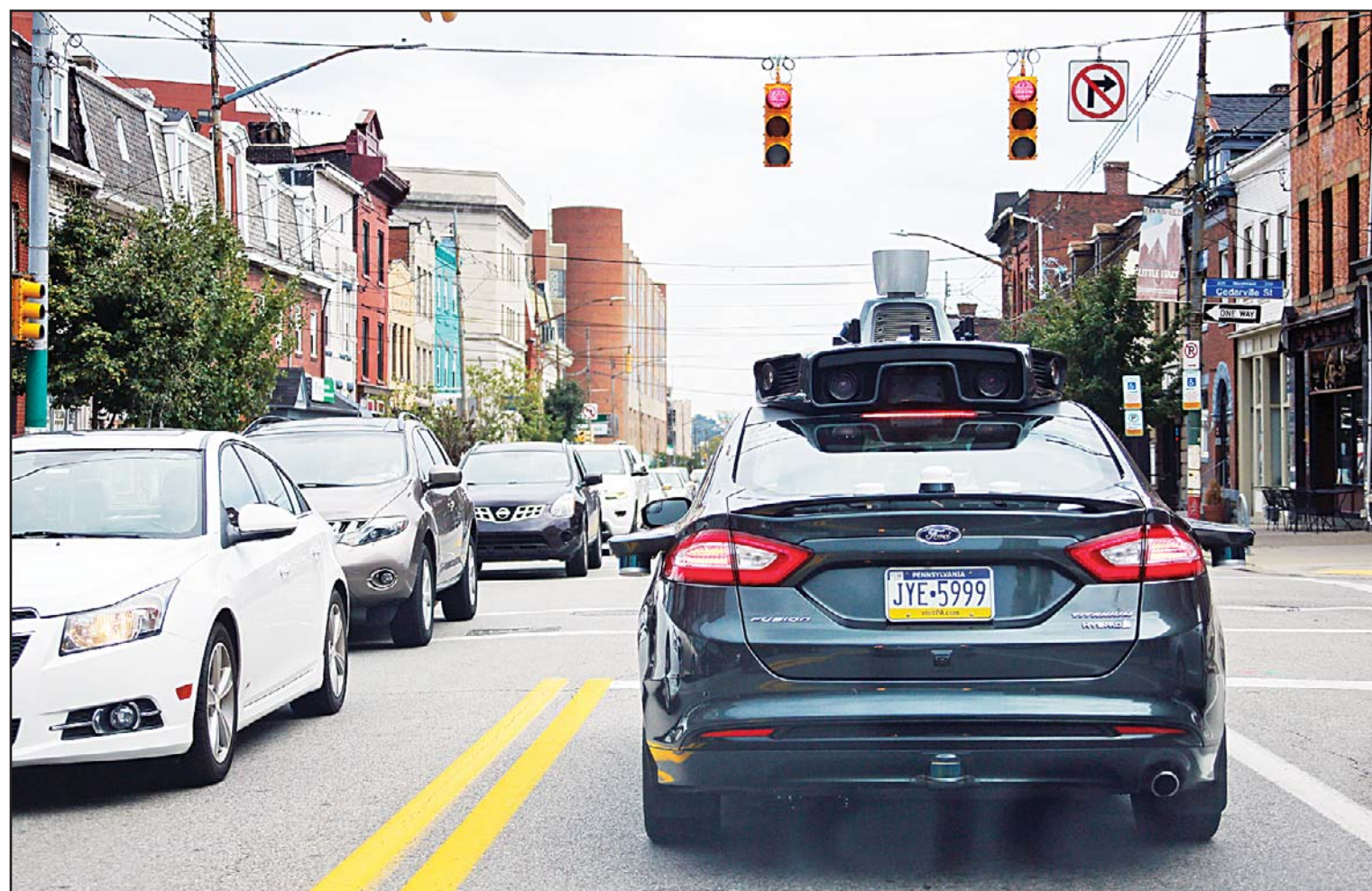
"The best labor market in nearly 30 years should tell Fed officials that additional monetary

stimulus is not required. We expect them to put another rate hike notch on their belts at the upcoming June meeting," said Chris Rupkey, chief economist at MUFG Union Bank in New York.

Initial claims for state unemployment benefits fell 2,000 to a seasonally adjusted 236,000 for the week ended May 6, the Labor Department said on Thursday, confounding economists' expectations for a rise to 245,000.

It was the 114th straight week that claims remained below the 300,000 threshold which is associated with a healthy labor market. That is the longest such stretch since 1970, when the labor market was smaller.

The labor market is close to full employment, with the unemployment rate at a 10-year low of 4.4 percent.



In this file photo, a self-driving Uber car stops at a red light on Liberty Avenue through the Bloomfield neighborhood of Pittsburgh. In just a few years, well-mannered self-driving robotaxis will share the roads with reckless, law-

breaking human drivers. The prospect is causing migraines for the people developing the robotaxis and is slowing their development. But experts say eventually the cars will coexist with human drivers on real roads. (AP)

'Its hard to program in human stupidity ...'

What's holding back self-driving cars? Human drivers

DETROIT, May 11, (AP): In just a few years, well-mannered self-driving robotaxis will share the roads with reckless, law-breaking human drivers. The prospect is causing migraines for the people developing the robotaxis.

A self-driving car would be programmed to drive at the speed limit. Humans routinely exceed it by 10 to 15 mph (16 to 24 kph) — just try continuing the New Jersey Turnpike at normal speed. Self-driving cars wouldn't dare cross a double yellow line; humans do it all the time. And then there are those odd local traffic customs to which humans quickly adapt.

In Los Angeles and other places, for instance, there's the "California Stop," where drivers roll through stop signs if no traffic is crossing. In Southwestern Pennsylvania, courteous drivers practice the "Pittsburgh Left," where it's customary to let one oncoming car turn left in front of them when a traffic light turns green. The same thing happens in Boston. During rush hours near Ann Arbor, Michigan, drivers regularly cross a double-yellow line to queue up for a left-turn onto a freeway.

"There's an endless list of these cases where we as humans know the context, we know when to bend the rules and when to break the rules," said Raj Rajkumar, a computer engineering professor at Carnegie Mellon University who leads the school's autonomous car research.

Although autonomous cars are likely to carry passengers or cargo in limited areas during the next three to five years, experts say it will take many years before robotaxis can coexist with human-piloted vehicles on most side streets, boulevards and freeways. That's because programmers have to figure out human behavior and local traffic idiosyncrasies. And teaching a car to use that knowledge will require massive amounts of data and big computing power that is prohibitively expensive at the moment.

"Driverless cars are very rule-based, and they don't understand social graces," said Missy Cummings, director of Duke University's Humans and Autonomous Lab.

Driving customs and road conditions are dramatically different across

the globe, with narrow, congested lanes in European cities, and anarchy in Beijing's giant traffic jams. In India's capital, New Delhi, luxury cars share poorly marked and congested lanes with bicycles, scooters, trucks, and even an occasional cow or elephant.

Then there is the problem of aggressive humans who make dangerous moves such as cutting cars off on freeways or turning left in front of oncoming traffic. In India, for example, even when lanes are marked, drivers swing from lane to lane without hesitation.

Already there have been isolated cases of human drivers pulling into the path of cars such as Teslas, knowing they will stop because they're equipped with automatic emergency braking.

"It's hard to program in human stupidity or someone who really tries to game the technology," says John Hanson, spokesman for Toyota's autonomous car unit.

Kathy Winter, vice president of automated driving solutions for Intel, is optimistic that the cars will be able to see and think like humans before 2030.

Cars with sensors for driver-assist

systems already are gathering data about road signs, lane lines and human driver behavior. Winter hopes auto and tech companies developing autonomous systems and cars will contribute this information to a giant database.

Artificial intelligence developed by Intel and other companies eventually could access the data and make quick decisions similar to humans, Winter says.

Programmers are optimistic that someday the cars will be able to handle even Beijing's traffic. But the cost could be high, and it might be a decade or more before Chinese regulators deem self-driving cars reliable enough for widespread public use, said John Zeng of LMC Automotive Consulting.

Intel's Winter expects fully autonomous cars to collect, process and analyze four terabytes of data in 1-6 hours of driving, which is the average amount a person spends in a car each day. That's equal to storing over 1.2 million photos or 2,000 hours of movies. Such computing power now costs over \$100,000 per vehicle, Zeng said. But that cost could fall as more cars are built.

The number of people still receiving benefits after an initial week of aid tumbled 61,000 to 1.92 million in the week ended April 29, the lowest level since November 1988.

Labor market momentum, also marked by a sharp rebound in job growth in April, has left financial markets anticipating further monetary policy tightening from the Fed's June 13-14 meeting.

Prices for US Treasuries briefly fell on the data, with the yield on the interest rate sensitive two-year note rising to a near two-month high.

Stocks on Wall Street declined as a bigger-than-expected drop in quarterly profit and sales at department store Macy's hurt consumer discretionary shares. The dollar was little changed against a basket of currencies.

The US central bank increased its benchmark overnight interest rate by 25 basis points in March and has forecast two more rate hikes this year. The economy created 211,000 jobs in April after adding only 79,000 positions in March.

In a second report on Thursday, the Labor Department said its producer price index for final demand increased 0.5 percent last month after slipping 0.1 percent in March.

The PPI increased 2.5 percent in the 12 months through April, the biggest gain since February 2012, after advancing 2.3 percent in March. Economists had forecast the PPI rising 0.2 percent and gaining 2.2 percent from a year ago.

Producer prices are firming in part as the drag from a strong dollar fades. Prices for final demand services rose 0.4 percent in April, accounting for almost two-thirds of the increase in the PPI last month.

They had dipped 0.1 percent in March. The rise in the cost of services last month was driven by a 6.6 percent surge in prices for securities brokerage, dealing, investment advice and related services.

Prices for goods increased 0.5 percent after slipping 0.1 percent in March. Energy prices rose 0.8 percent, with the cost of gasoline jumping 3.9 percent. Energy prices declined 2.9 percent in March.

Food prices increased 0.9 percent after a similar increase in March. A key gauge of underlying producer price pressures that excludes food, energy and trade services surged a record 0.7 percent in April. The so-called core PPI edged up 0.1 percent in March.

The core PPI increased 2.1 percent in the 12 months through April, the biggest gain since August 2013, after the revamping of the PPI series. It advanced 1.7 percent in March.

"The core reading for producer prices shows the Fed could reach their inflation target sooner than previously thought," said Jay Morelock, an economist at FTN Financial in New York.

The cost of healthcare services were unchanged after nudging up 0.1 percent in March. Those healthcare costs feed into the Fed's preferred inflation measure, the core personal consumption expenditures price index.